

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

G

E-01891A  
Garkane Energy Cooperative, Inc.  
PO Box 465  
Loa, UT 84747

RECEIVED

MAR 24 2008

AZ CORP COMM  
Director Utilities

**ANNUAL REPORT**

**FOR YEAR ENDING**

12	31	2007
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FOR COMMISSION USE

ANN 01	07
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PROCESSED BY:

3-24-08

SCANNED

## COMPANY INFORMATION

<b>Company Name (Business Name)</b> _____ Garkane Energy Cooperative, Inc. _____			
<b>Mailing Address</b> _____ 120 West 300 South _____ P0 Box 465 _____			
(Street)			
Loa _____	UT _____	84747 _____	
(City)	(State)	(Zip)	
(435) 836-2795 _____		(435) 836-2497 _____	
Telephone No. (Include Area Code)		Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> _____ calbrecht@garkaneenergy.com _____			
<b>Local Office Mailing Address</b> _____ 120 West 300 South _____ P0 Box 465 _____			
(Street)			
Loa _____	UT _____	84747 _____	
(City)	(State)	(Zip)	
(435) 836-2795 _____		(435) 836-2497 _____	
Local Office Telephone No. (Include Area Code)		Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> _____ calbrecht@garkaneenergy.com _____			

## MANAGEMENT INFORMATION

<b>Management Contact:</b> _____ Carl R. Albrecht _____ General Manager _____			
(Name) (Title)			
120 West 300 South _____		Loa _____	UT _____
(Street)		(City)	(State)
(435) 836-2795 _____		(435) 836-2497 _____	
Telephone No. (Include Area Code)		Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> _____ calbrecht@garkaneenergy.com _____			
<b>On Site Manager:</b> _____ Carl R. Albrecht _____			
(Name)			
120 West 300 South _____		Loa _____	UT _____
(Street)		(City)	(State)
(435) 836-2795 _____		(435) 836-2497 _____	
Telephone No. (Include Area Code)		Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> _____ calbrecht@garkaneenergy.com _____			

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

**Statutory Agent:**

Robert T. Jones

(Name)

120 North 44th Street Suite 100

(Street)

Phoenix

(City)

AZ

(State)

85034-1822

(Zip)

(602) 286-6925

Telephone No. (Include Area Code)

(602) 286-6932

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Attorney:**

Michael Grant

(Name)

2575 East Camelback

(Street)

Phoenix

(City)

AZ

(State)

85016-9225

(Zip)

(602) 530-8291

Telephone No. (Include Area Code)

(602) 257-9459

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

**OWNERSHIP INFORMATION**

Check the following box that applies to your company:

☐ Sole Proprietor (S)☐ C Corporation (C) (Other than Association/Co-op)☐ Partnership (P)☐ Subchapter S Corporation (Z)☐ Bankruptcy (B)☒ Association/Co-op (A)☐ Receivership (R)☐ Limited Liability Company☐ Other (Describe) \_\_\_\_\_**COUNTIES SERVED**

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE☐ COCHISE☒ COCONINO☐ GILA☐ GRAHAM☐ GREENLEE☐ LA PAZ☐ MARICOPA☒ MOHAVE☐ NAVAJO☐ PIMA☐ PINAL☐ SANTA CRUZ☐ YAVAPAI☐ YUMA☐ STATEWIDE

## SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

☒ **Electric**

- ☐ Investor Owned Electric
- ☒ Rural Electric Cooperative
- ☐ Utility Distribution Company
- ☐ Electric Service Provider
  - ☐ Transmission Service Provider
  - ☐ Meter Service Provider
  - ☐ Meter Reading Service Provider
  - ☐ Billing and Collection
  - ☐ Ancillary Services
  - ☐ Generation Provider
  - ☐ Aggregator/Broker

☐ **Telecommunications**

- ☐ Incumbent Local Exchange Carrier
- ☐ Interexchange Carrier
- ☐ Competitive Local Exchange Carrier
- ☐ Reseller
- ☐ Alternative Operator Service Provider

☐ **Gas**

- ☐ Natural Gas
- ☐ Propane

☐ **Other (Specify)** \_\_\_\_\_

\_\_\_\_\_

## STATISTICAL INFORMATION

### TELECOMMUNICATION UTILITIES ONLY

Total residence local exchange access lines	_____
Total business local exchange access lines	_____
Total revenue from Arizona operations	\$ _____
Total income from Arizona operations	\$ _____
Value of assets used to serve Arizona customers	\$ _____
Accumulated depreciation associated with those assets	\$ _____

## STATISTICAL INFORMATION (CONT'D)

### ELECTRIC UTILITY PROVIDERS ONLY

Total number of customers	690
Residential	538
Commercial	125
Industrial	--
Public street and highway lighting	4
Irrigation	16
<del>Resale</del> Public Authorities	7
Total kilowatt-hours sold	14,301,550 kWh
Residential	7,331,080
Commercial	6,140,992
Industrial	--
Public street and highway lighting	14,880
Irrigation	513,756
<del>Resale</del> Public Authorities	300,842
Maximum Peak Load	n/a MW

### GAS UTILITIES ONLY

Total number of customers	
Residential	
Commercial	
Industrial	
Irrigation	
Resale	
Total therms sold	therms
Residential	
Commercial	
Industrial	
Irrigation	
Resale	

**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

**VERIFICATION**

STATE OF UTAH

I, THE UNDERSIGNED  
OF THE

COUNTY OF (COUNTY NAME)	Wayne Utah
NAME (OWNER OR OFFICIAL) TITLE	Carl R. Albrecht
COMPANY NAME	Garkane Energy Cooperative, Inc.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2007 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 1,245,169

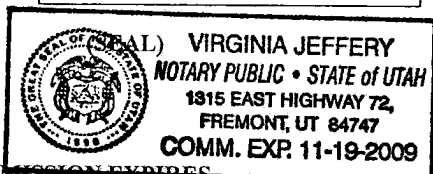
(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 71,308  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 17<sup>th</sup> DAY OF



MY COMMISSION EXPIRES

11-19-2009

SIGNATURE OF OWNER OR OFFICIAL  
(435) 836-2795  
TELEPHONE NUMBER

COUNTY NAME	WAYNE
MONTH	<u>MARCH</u>
	<u>.2008</u>

SIGNATURE OF NOTARY PUBLIC

ARIZONA  
CORPORATION  
COMMISSION  
Director Utilities

MAR 24 2008

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**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**

RECEIVED

MAR 24 2008

AZ CORP COMM  
Director Utilities

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Wayne	
NAME (OWNER OR OFFICIAL) Carl R. Albrecht	TITLE General Manager
COMPANY NAME Garkane Energy Cooperative, Inc.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH 12	DAY 31	YEAR 2007
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HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

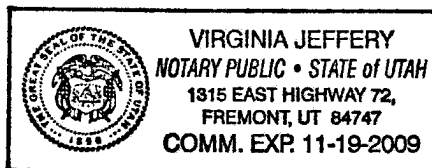
IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2007 WAS:


ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 620,247

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 34,279  
IN SALES TAXES BILLED, OR COLLECTED

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.



X   
SIGNATURE OF OWNER OR OFFICIAL

(435) 836-2795  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

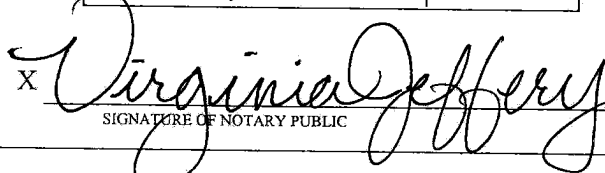
17<sup>th</sup>

DAY OF

(SEAL)

MY COMMISSION EXPIRES 11-19-2009

NOTARY PUBLIC NAME Virginia Jeffery	
COUNTY NAME WAYNE	
MONTH MARCH	.20 08

X   
SIGNATURE OF NOTARY PUBLIC

## **FINANCIAL INFORMATION**

Attach to this annual report a copy of the companies' year-end (Calendar Year 2007) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**



**GARKANE ENERGY COOPERATIVE, INC.**

**MANAGEMENT LETTER**

**DECEMBER 31, 2007**

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

Board of Directors  
Garkane Energy Cooperative, Inc.  
Loa, Utah 84747

We have audited the consolidated financial statements of Garkane Energy Cooperative, Inc. and its' wholly owned subsidiary, Garkane Propane, Inc. for the year ended December 31, 2007, and have issued our report thereon dated February 19, 2008. We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CRF Part 1773, Policy on Audits of Rural Utilities Services (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the consolidated financial statements of Garkane Energy Cooperative, Inc. for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we considered to be material weaknesses as defined above.

Section 1773.34 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instruments provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security and instrument provisions, and additional matters tested included, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(1), related party transactions, depreciation rates and a schedule of deferred debits and credits, upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters and accordingly, we express no opinion thereon.

No reports other than our independent auditor's report and our independent auditor's report on compliance and on internal control over financial reporting, all dated February 19, 2008 or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS Loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

#### COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING.

We noted no matters regarding Garkane Energy Cooperative, Inc.'s internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- \* The accounting procedures and records;
- \* The process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and
- \* The materials control.

#### COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- \* Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others for the year ended December 31, 2007, of Garkane Energy Cooperative, Inc.:
  1. Garkane Energy Cooperative, Inc. did not enter into any new contracts for the operation or maintenance of its property, or for the use of its property by others as defined in paragraph 1773.334(e)(1)(ii).
  2. Reviewed Board of Director minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule.
  3. Noted the existence of written RUS and other mortgagee approval of each contract listed by the borrower.

- \* Procedures performed with respect to the requirement to submit RUS Form 7 or Form 12 to the RUS:

1. Agreed amounts reported in Form 7 or Form 12 to Garkane Energy Cooperative, Inc. records.

The results of our tests indicate that, with respect to the items tested, Garkane Energy Cooperative, Inc. complied in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- \* The borrower has obtained written approval of the RUS and other mortgages to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others as defined in paragraph 1773.334(e)(1)(ii); and
- \* The borrower has submitted its Form 7 or Form 12 to RUS and the Form 7 or Form 12, Financial and Statistical Report as of December 31, 2007, as represented by the borrower as having been submitted to RUS, is in agreement with Garkane Energy Cooperative, Inc.'s records in all material respects and appears reasonable based upon the audit procedures performed.

#### COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the consolidated financial statements of Garkane Energy Cooperative, Inc., nothing came to our attention that caused us to believe that Garkane Energy Cooperative, Inc. failed to comply with respect to:

- \* The reconciliation of subsidiary plant records to the controlling general ledger plant accounts addressed at 7 CFR 1773.334(c)(1);
- \* The clearing of construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR 1773.334(c)(2);
- \* The retirement of plant addressed at 7 CFR 1773.33(c)(3) and (4);
- \* Approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, materials, or scrap addressed at 7 CFR 1773.33(c)(5);
- \* The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, Related Party Transactions, for the year ended December 31, 2007, in the financial statements reference in the first paragraph of this report addressed at 7 CFR 1773.33 (f); and
- \* The depreciation rates addressed at 7 CFR Part 1773.334(g); and
- \* The detailed schedule of deferred debits and deferred credits; and
- \* The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR 1773.33(h) and provided following this page is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**GARKANE ENERGY COOPERATIVE, INC.**  
**DEFERRED DEBITS AND CREDITS**  
**SCHEDULE 1**  
**December 31, 2007**

	<u>Account #</u>	<u>Amount</u>
<b>Deferred Credits:</b>		
Uncashed Capital Credits - Warm Fund	253.00	6,475
Customer Donations - Warm Fund	253.10	647
Deferred Revenue - Impact Fees	253.20	900,082
Unamortized Gain on Reacquired Debt	257.00	<u>793,440</u>
Total Deferred Credits		<u><u>1,700,644</u></u>

**GARKANE ENERGY COOPERATIVE, INC.**  
**DETAILED SCHEDULE OF INVESTMENTS**  
**SCHEDULE 2**  
**December 31, 2007**

	<u>Garkane Propane, Inc.</u>
Original Investment	1,478,229
Dividends Paid to Parent Through 12/31/07	588,550
Undistributed Earnings (Loss) as of 12/31/07	<u>(258,531)</u>
Book Value of Investment of of 12/31/07	<u><u>1,808,248</u></u>

Garkane Propane, Inc. is a wholly owned subsidiary in the propane business and sells to individuals and businesses in Southern Utah and Northern Arizona. The Cooperative owns a 100% interest in the corporation and accounts for the business on the equity basis.

**FINDINGS AND QUESTIONED COSTS:**

There were no findings or questioned costs.

**SCHEDULE OF PRIOR AUDIT FINDINGS:**

There were no prior audit findings reported to the Board of Directors.

Board of Directors  
Garkane Energy Cooperative, Inc.  
Page -7-

This report is intended solely for the information and use of the board of directors, management, and the Rural Utilities Service and supplemental lenders. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

February 19, 2008  
Richfield, Utah